

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
JUNE 30, 2006 AND 2005**

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**OFFICIALS  
JUNE 30, 2006**

<b>Name</b>	<b>Position</b>	<b>Term Expires</b>	<b>Insurance Coverage</b>
Lynne Don Carlos	Trustee	12/31/06	\$ 10,000
Richard Kohler	Chairman	12/31/08	10,000
Phil Cannon	Trustee	12/31/10	10,000
 Duane Armstead	 General Manager		 10,000
Sharyl Newbury	City Clerk/Treasurer		40,000

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Steven M. Povich, C.P.A.  
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Gregory A. Harr, C.P.A.  
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Daniel R. Holt, C.P.A.  
Daniel A. Dudley, C.P.A.  
Geoffrey F. Schnathorst, C.P.A.  
Catherine T. Kellogg, C.P.A.

## INDEPENDENT AUDITORS' REPORT

Greenfield Municipal Utilities  
Water System  
Greenfield, Iowa

We have audited the accompanying statements of net assets of the Water System, a department of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of June 30, 2006 and 2005, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water System, a department of Greenfield Municipal Utilities, as of June 30, 2006 and 2005, and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.


In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2006, on our consideration of the Water System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for Schedule 2 which is marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenfield Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

August 4, 2006

By  \_\_\_\_\_  
Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

ASSETS	2006	2005	Increase (Decrease)
<b>CURRENT ASSETS:</b>			
Cash and Equivalents	\$ 36,902	\$ -	\$ 36,902
Investment in Certificates of Deposit	123,000	123,000	-
Accounts Receivable - Customers	51,947	45,221	6,726
Inventories - Materials and Supplies	30,902	29,959	943
Accrued Interest Receivable	538	318	220
Prepaid Expenses	18,746	20,218	(1,472)
Total Current Assets	262,035	218,716	43,319
<b>PROPERTY AND EQUIPMENT:</b>			
Production and Treatment Plant	1,422,163	1,418,657	3,506
Transmission System	597,075	597,075	-
Distribution System	2,435,781	2,426,363	9,418
Vehicles, Tools and Equipment	168,111	154,685	13,426
Total Cost	4,623,130	4,596,780	26,350
Accumulated Depreciation	(2,649,132)	(2,539,306)	(109,826)
Total Property and Equipment, Net	1,973,998	2,057,474	(83,476)
	<u>\$ 2,236,033</u>	<u>\$ 2,276,190</u>	<u>\$ (40,157)</u>

(Continued)

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

LIABILITIES	2006	2005	Increase (Decrease)
<b>CURRENT LIABILITIES:</b>			
Deficit in Cash and Equivalents	\$ -	\$ 33,373	\$ (33,373)
Accounts Payable - Vendors	10,979	9,255	1,724
Sales and Use Tax Payable	2,200	1,773	427
Accrued Liabilities -			
Salaries and Wages	5,371	5,056	315
Compensated Absences	24,002	21,088	2,914
Current Portion of Promissory Note Payable	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Current Liabilities	62,552	90,545	(27,993)
<b>NONCURRENT LIABILITIES</b>			
Promissory Note Payable	<u>140,000</u>	<u>160,000</u>	<u>(20,000)</u>
Total Noncurrent Liabilities	140,000	160,000	(20,000)
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,813,998	1,877,474	(63,476)
Unrestricted	<u>219,483</u>	<u>148,171</u>	<u>71,312</u>
Total Net Assets	2,033,481	2,025,645	7,836
	<u>\$ 2,236,033</u>	<u>\$ 2,276,190</u>	<u>\$ (40,157)</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		2005		Increase (Decrease)
	Amount	Percent	Amount	Percent	
<b>OPERATING REVENUE:</b>					
Residential Sales	\$ 239,322	50.9	\$ 239,593	52.0	\$ (271)
Commercial Sales	78,721	16.7	64,562	14.0	14,159
Industrial Sales	40,889	8.7	35,838	7.8	5,051
Sales to SIRWA	58,096	12.3	68,553	14.9	(10,457)
Sales to Fontenelle	33,512	7.1	33,012	7.2	500
Sales to City	5,791	1.2	5,138	1.1	653
Plant Hydrant Water Sales	1,558	0.3	-	-	1,558
Forfeited Discounts and Other	12,646	2.8	13,706	3.0	(1,060)
Total Operating Revenue	470,535	100.0	460,402	100.0	10,133
<b>OPERATING EXPENSES:</b>					
Plant Operations	142,864	30.4	130,844	28.4	12,020
Plant Maintenance	31,783	6.8	16,260	3.5	15,523
Distribution Operations	86,214	18.3	80,162	17.4	6,052
Distribution Maintenance	52,534	11.2	39,195	8.5	13,339
Accounting and Collecting	30,664	6.5	41,378	9.0	(10,714)
Administrative Expenses	102,298	21.7	85,015	18.5	17,283
Refunds and Rebates	3,725	0.8	-	-	3,725
Depreciation	124,372	26.4	111,736	24.3	12,636
Total Operating Expenses	574,454	122.1	504,590	109.6	69,864
Operating Earnings (Loss)	(103,919)	(22.1)	(44,188)	(9.6)	(59,731)
<b>NONOPERATING REVENUE:</b>					
Contributions-in-Aid of Construction	878	0.2	132,178	28.7	(131,300)
Interest Income	6,480	1.4	3,594	0.8	2,886
Miscellaneous Income	4,350	0.9	4,632	1.0	(282)
Total Nonoperating Revenue	11,708	2.5	140,404	30.5	(128,696)
Income (Loss) before Transfers	(92,211)	(19.6)	96,216	20.9	(188,427)
<b>TRANSFERS IN:</b>					
From Electric System	100,047		-		100,047
Change in Net Assets	7,836		96,216		(88,380)
Total Net Assets, Beginning	2,025,645		1,929,429		96,216
Total Net Assets, Ending	\$ 2,033,481		\$ 2,025,645		\$ 7,836

See Independent Auditors' Report and Notes to Financial Statements.



**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Customers	\$ 463,809	\$ 461,100
Payments to Suppliers	(251,694)	(187,376)
Payments to Employees	(225,852)	(211,328)
Other Receipts	<u>4,350</u>	<u>4,632</u>
Net Cash from Operating Activities	(9,387)	67,028
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers from Electric	100,047	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal Payments on Promissory Note	(20,000)	(20,000)
Contribution-in-Aid of Construction	878	132,178
Purchase or Construction of Capital Assets	<u>(28,260)</u>	<u>(245,370)</u>
Net Cash from Capital and Related Financing Activities	(47,382)	(133,192)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Certificates of Deposits	-	62,000
Interest Received	<u>6,260</u>	<u>4,164</u>
Net Cash from Investing Activities	<u>6,260</u>	<u>66,164</u>
Net Increase in Cash and Equivalents	49,538	-
Cash and Equivalents, Beginning of Year	-	-
Cash and Equivalents, End of Year	<u>\$ 49,538</u>	<u>\$ -</u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating Earnings (Loss)	\$ (103,919)	\$ (44,188)
Adjustments to Reconcile Operating Earnings (Loss) to Net Cash from Operating Activities -		
Depreciation Non-cash Expense	124,372	111,736
Miscellaneous Revenue Received	4,350	4,632
Change in Operating Assets and Liabilities -		
Deficit in Cash and Equivalents	(33,373)	(6,097)
Accounts Receivable (Increase) Decrease	(6,726)	698
Inventories (Increase) Decrease	(943)	(2,325)
Prepaid Expenses (Increase) Decrease	1,472	1,268
Accounts Payable Increase (Decrease)	1,724	(292)
Sales Tax Payable Increase (Decrease)	427	439
Other Accrued Liabilities Increase (Decrease)	<u>3,229</u>	<u>1,157</u>
Total Adjustments	94,532	111,216
Net Cash from Operating Activities	<u>\$ (9,387)</u>	<u>\$ 67,028</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General -**

The City of Greenfield owns an electric light and power system (electric), waterworks (water) and sewage treatment system. Many years ago, voters approved Greenfield Municipal Utilities (GMU) be organized to operate and manage only the electric and water systems. GMU is governed by a three-member board of trustees appointed by the City Council. The Board of Trustees exercises all oversight responsibility.

Greenfield Municipal Utilities provides electric and water service to a diversified base of residential, commercial, and industrial customers, primarily within the boundaries of the City. State statutes vest authority in the Board of Trustees to establish rates and provide, among other things, that books of account be kept for each utility system and for the equitable allocation of joint expenses.

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (FASB). As allowed by GASB, Greenfield Municipal Utilities follows the statements and interpretations of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless such pronouncements conflict with or contradict related GASB pronouncements.

The significant accounting policies of GMU are described below.

**B. Reporting Entity -**

Generally accepted accounting principles require GMU to consider if it has oversight responsibility or control over any other legal entity. Control or dependence is determined based on budget adoption, taxing authority, funding, or appointment of the respective governing board. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Greenfield Municipal Utilities is a component unit of the City of Greenfield, but is legally separate from the City, and has no component units itself. Accordingly, these financial statements include only the accounts of the water system. The financial activities of the electric system are presented and reported on separately.

In accordance with GASB 14, the Greenfield Municipal Utilities have been identified as a component unit of the City of Greenfield.

See Independent Auditors' Report.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. *Measurement Focus and Basis of Accounting -*

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The applicable generally accepted accounting principles are those similar to businesses in the private sector.

The water system is a governmental proprietary enterprise fund and uses the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net assets, financial position, and cash flows. Under the accrual basis of accounting, revenues are recognized when earned, except that unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days) are not accrued. Expenses are recognized when the obligation is incurred.

### D. *Estimates -*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### E. *Cash and Equivalents -*

GMU has defined cash and equivalents as unrestricted cash on hand, checking and savings accounts, and certificates of deposit with original maturities of three months or less. Cash and equivalents held as restricted assets are excluded for cash flow purposes.

### F. *Inventories-Materials and Supplies -*

Inventories of materials and supplies are stated at the lower of cost or market using the first-in, first-out method.

### G. *Capital Assets -*

Capital assets (property, plant and equipment, including infrastructures) are valued at historical cost. The cost of system renewals and betterments includes engineering, project construction period interest and other related costs. Preliminary and construction costs, if any, of projects not yet in service are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Depreciation is provided over the assets estimated useful lives using the straight line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives by capital asset sub-category is as follows:

Treatment Plant and Structures	15-50 Years
Transmission System Improvements	33-50 Years
Distribution System Improvements	20-40 Years
Vehicles	5 Years
Tools and Shop Equipment	5-10 Years
Furniture and Office Equipment	5-10 Years

See Independent Auditors' Report.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **H. *Net Assets Classifications* -**

Net assets are shown in three components:

- a. Invested in capital assets, net of related debt: Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of capital assets.
- b. Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets: All other net assets, including designated, that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Designated net assets, although earmarked by the Trustees, may be changed at any time by board action.

Included in the unrestricted net assets is an amount of \$24,549 designated for the City's Park Board. When GMU transferred Between-Two-Lakes land to the City, the trustees specified the CRP income be retained for the benefit of park improvements.

### **I. *Taxes* -**

GMU is not liable for federal and state income taxes or taxes on its property, and makes no payments in-lieu-of taxes or other contributions to the city.

## **NOTE 2 - CASH AND POOLED INVESTMENTS**

GMU pool their deposits and investments and maintain records as to the water and electric systems' share of the total balance. At June 30, 2005, the water system's share of the pooled checking account was a deficit balance of \$33,373, which, in effect is a loan from the Electric System.

All deposits at June 30, 2006, were entirely covered by federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

GMU is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of drainage districts.

All investments at June 30, 2006, were held as certificates of deposits and cost is the same as carrying value.

See Independent Auditors' Report.

### NOTE 3 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2006 and 2005, is as follows:

<b>2006</b>	<b>Balance July 1,</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30,</b>
Capital Assets being Depreciated -				
Production Plant	\$ 1,418,657	\$ 3,506	\$ -	\$ 1,422,163
Transmission System	597,075	-	-	597,075
Distribution System	2,426,363	9,418	-	2,435,781
Vehicles, Tools and Equipment	154,685	27,972	14,546	168,111
Total Cost	<u>\$ 4,596,780</u>	<u>\$ 40,896</u>	<u>\$ 14,546</u>	<u>\$ 4,623,130</u>
Accumulated Depreciation for -				
Production Plant	\$ 923,228	\$ 52,349	\$ -	\$ 975,577
Transmission System	357,995	8,283	-	366,278
Distribution System	1,122,069	55,235	-	1,177,304
Vehicles, Tools and Equipment	136,014	8,505	14,546	129,973
Total Accumulated Depreciation	<u>\$ 2,539,306</u>	<u>\$ 124,372</u>	<u>\$ 14,546</u>	<u>\$ 2,649,132</u>
<b>2005</b>	<b>Balance July 1,</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30,</b>
Capital Assets not being Depreciated -				
Construction in Progress	<u>\$ 792,836</u>	<u>\$ -</u>	<u>\$ 792,836</u>	<u>\$ -</u>
Capital Assets being Depreciated -				
Production Plant	\$ 1,401,803	\$ 16,854	\$ -	\$ 1,418,657
Transmission System	597,075	-	-	597,075
Distribution System	1,699,925	953,018	226,580	2,426,363
Vehicles, Tools and Equipment	138,444	16,241	-	154,685
Total Cost	<u>\$ 3,837,247</u>	<u>\$ 986,113</u>	<u>\$ 226,580</u>	<u>\$ 4,596,780</u>
Accumulated Depreciation for -				
Production Plant	\$ 871,043	\$ 52,185	\$ -	\$ 923,228
Transmission System	349,671	8,324	-	357,995
Distribution System	1,277,456	43,706	199,093	1,122,069
Vehicles, Tools and Equipment	128,493	7,521	-	136,014
Total Accumulated Depreciation	<u>\$ 2,626,663</u>	<u>\$ 111,736</u>	<u>\$ 199,093</u>	<u>\$ 2,539,306</u>

See Independent Auditors' Report.

### NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense by asset group charged to operations is as follows:

	2006	2005
Production Plant	\$ 52,349	\$ 52,185
Transmission System	8,283	8,324
Distribution System	55,235	43,706
Vehicles, Tools and Equipment	8,505	7,521
Totals	<u>\$ 124,372</u>	<u>\$ 111,736</u>

### NOTE 4 - COMPENSATED ABSENCES

GMU employees accumulate a limited amount of vested, but unused, vacation and sick leave hours for subsequent use or payment upon termination, retirement or death. Accrued compensated absences included in the financial statements for 2006 and 2005 represent the amount due for the hours accumulated at the employees' June 30 rate of compensation.

### NOTE 5 - NOTE PAYABLE

During 2004, the City of Greenfield issued a general obligation promissory note for \$200,000 dated June 10, 2004. The proceeds of this note were deposited to the water system and the water system is to repay this debt. The note is noninterest bearing, with monthly payments of \$1,666 beginning July 14, 2004.

Current maturities of long-term debt for the years ended June 30:

2007	\$ 20,000
2008	20,000
2009	20,000
2010	20,000
2011	20,000
2012	20,000
2013	20,000
2014	20,000
Totals	<u>\$ 160,000</u>

### NOTE 6 - CHANGES IN LONG-TERM DEBT

Changes in long-term debt for the years ended June 30, 2006 and 2005, are as follows:

Balance July 1, 2004	\$ 200,000
Issued	-
Retired	<u>20,000</u>
Balance June 30, 2005	180,000
Issued	-
Retired	<u>20,000</u>
Balance June 30, 2006	<u>\$ 160,000</u>

See Independent Auditors' Report.

## **NOTE 7 - PENSION AND RETIREMENT BENEFITS**

GMU contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the employer is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The water system's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004, was \$10,502, \$9,224, and \$9,378, respectively, which met the required contributions for each year.

## **NOTE 8 - DEFERRED COMPENSATION PLAN**

GMU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral to future years of a portion of their current salary. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a separate third-party trust for the exclusive benefit of participants and their beneficiaries.

## **NOTE 9 - CONCENTRATIONS**

The water system provides water to customers in a specified service area in and around the City of Greenfield, Iowa. It grants credit to substantially all customers, all of whom are local businesses or residents.

Sales to other nonprofit or municipal organizations for redistribution accounted for approximately 21 percent of the total operating revenue for both years ended June 30, 2006 and 2005, respectively.

## **NOTE 10 - RISK MANAGEMENT**

The Greenfield Municipal Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks, except for loss of infrastructure, are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

See Independent Auditors' Report.

## NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the balance sheets.

## NOTE 12 - COMMITMENTS

The water system has a contract to provide water to the Southern Iowa Rural Water Association over a forty-year period beginning June 1, 1982. The agreement stipulates that the water quantity sold is not to exceed 174 gallons per minute and 52,257,879 gallons per year. Metered water for 2006 and 2005 was 47,933,500 and 47,939,500 gallons, respectively.

The water system has a contract to provide water to the City of Fontanelle over a ten year period beginning November 1, 2003. The agreement stipulates that the water quantity sold is not to exceed 120 gallons per minute and 20,000,000 gallons per year. Metered water for 2006 and 2005 was 15,786,000 and 15,548,900 gallons, respectively.

## NOTE 13 - BUDGETS AND BUDGETARY ACCOUNTING

GMU prepares a budget on the basis of cash receipts and disbursements instead of the accrual basis of accounting presented in these financial statements. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes this water system, following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. There were no budget amendments adopted during the current year.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions or programs, not by fund. These functions are grouped as either governmental activities or business activities.

The water system budget is included as a part of the City and GMU combined business type activities budget. A comparison of the actual water system activity, adjusted to the budgetary basis, and the total budgeted amounts is as follows:

	Actual	Budget
Operating and Nonoperating Revenue - GAAP Basis	\$ 582,290	
Adjust For-		
Customer Charge Accruals	(6,726)	
Other Operating Revenue Accruals	-	
Nonoperating Revenue Accruals	(220)	
Operating and Nonoperating Revenue - Budget Basis	<u>\$ 575,344</u>	<u>\$ 496,550</u>

See Independent Auditors' Report.



**NOTE 13 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

	<b>Actual</b>	<b>Budget</b>
Operating and Nonoperating Expenses - GAAP Basis	\$ 574,454	
Adjust For-		
Operating Expense Accruals	(2,151)	
Nonoperating Expense Accruals	-	
Capital Outlay	28,260	
Depreciation	(124,372)	
Debt Payment	20,000	
Operating and Nonoperating Expenses - Budget Basis	<u>\$ 496,191</u>	<u>\$ 602,500</u>

**NOTE 14 - RESTATEMENTS**

Certain amounts for 2005 may be restated or terminology changed to be comparative to the 2006 financial statement presentation or terminology. There is, however, no change in net assets or overall revenue and expense activities previously reported.

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**SUPPLEMENTARY INFORMATION**

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**SCHEDULES OF EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		2005		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Plant Operations -					
Salaries and Wages	\$ 43,870	9.3	\$ 38,425	8.2	\$ 5,445
Employer Payroll Taxes	5,709	1.2	4,937	1.1	772
Group Insurance	2,120	0.5	8,078	1.8	(5,958)
Professional Fees	1,638	0.3	286	0.1	1,352
Insurance	11,087	2.4	10,099	2.2	988
Utilities and Communications	31,836	6.8	32,178	7.0	(342)
Chemicals	41,912	8.9	32,937	7.2	8,975
Water Testing	4,692	1.0	3,904	0.8	788
Total Plant Operations	<u>\$ 142,864</u>	30.4	<u>\$ 130,844</u>	28.4	<u>\$ 12,020</u>
Plant Maintenance -					
Pump Repairs	\$ 5,740	1.3	\$ 201	-	\$ 5,539
Supplies - Operating and Maintenance	7,544	1.6	12,672	2.8	(5,128)
Repairs Maintenance Services	18,499	3.9	3,387	0.7	15,112
Total Plant Maintenance	<u>\$ 31,783</u>	6.8	<u>\$ 16,260</u>	3.5	<u>\$ 15,523</u>
Distribution Operations -					
Salaries and Wages	\$ 67,814	14.4	\$ 59,362	12.9	\$ 8,452
Employer Payroll Taxes	10,238	2.2	8,389	1.8	1,849
Group Insurance	5,679	1.2	10,030	2.2	(4,351)
Professional Fees	2,483	0.5	2,381	0.5	102
Total Distribution Operations	<u>\$ 86,214</u>	18.3	<u>\$ 80,162</u>	17.4	<u>\$ 6,052</u>
Distribution Maintenance -					
Vehicle Operating Expenses	\$ 12,789	2.7	\$ 8,950	1.9	\$ 3,839
Supplies - Operating and Maintenance	39,745	8.5	30,245	6.6	9,500
Total Distribution Maintenance	<u>\$ 52,534</u>	11.2	<u>\$ 39,195</u>	8.5	<u>\$ 13,339</u>
Accounting and Collecting -					
Salaries and Wages	\$ 16,607	3.5	\$ 26,184	5.7	\$ (9,577)
Employer Payroll Taxes	1,801	0.4	-	-	1,801
Group Insurance	5,809	1.2	7,683	1.7	(1,874)
Advertising and Notices	1,166	0.2	1,145	0.2	21
Supplies - Operating and Maintenance	4,030	0.9	4,492	1.0	(462)
Copier and Computer Maintenance	1,251	0.3	1,874	0.4	(623)
Total Accounting and Collecting	<u>\$ 30,664</u>	6.5	<u>\$ 41,378</u>	9.0	<u>\$ (10,714)</u>

See Independent Auditors' Report.

(Continued)

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**SCHEDULES OF EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		2005		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Administrative Expenses -					
Salaries and Wages	\$ 52,219	11.1	\$ 31,326	6.9	\$ 20,893
Employer Payroll Taxes	11,376	2.4	12,568	2.7	(1,192)
Group Insurance	5,838	1.2	5,502	1.2	336
Professional Fees	8,406	1.8	10,230	2.2	(1,824)
Insurance	10,812	2.3	10,985	2.4	(173)
Travel, Conferences and Dues	4,214	0.9	6,437	1.4	(2,223)
Utilities and Communications	2,375	0.5	2,513	0.5	(138)
Supplies - Operating and Maintenance	887	0.2	713	0.2	174
Economic Development	6,171	1.3	4,741	1.0	1,430
Total Administrative Expenses	<u>\$ 102,298</u>	21.7	<u>\$ 85,015</u>	18.5	<u>\$ 17,283</u>
Rebates and Refunds	<u>\$ 3,725</u>	0.8	<u>\$ -</u>	-	<u>\$ 3,725</u>
Depreciation Expense	<u>\$ 124,372</u>	26.4	<u>\$ 111,736</u>	24.3	<u>\$ 12,636</u>

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATISTICAL REPORTS AND OTHER INFORMATION (UNAUDITED)  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		2005		Increase (Decrease)
	Gallons	Percent	Gallons	Percent	
<b>WATER PUMPED TO SYSTEM</b>	168,175,000	100.0	157,370,000	100.0	10,805,000
<b>UNBILLED:</b>					
Greenfield Municipal Utilities	6,112,800	3.6	7,049,000	4.2	(936,200)
Free Water	740,000	0.4	1,316,600	0.8	(576,600)
Streets (Estimated)	100,500	0.1	92,000	0.1	8,500
Fire Department and Flushes (Estimated)	340,000	0.2	501,740	0.3	(161,740)
Accounted for as Break Leaks (Estimated)	<u>864,000</u>	0.5	<u>173,000</u>	0.1	<u>691,000</u>
Total Unbilled	<u>8,157,300</u>	4.9	<u>9,132,340</u>	5.4	<u>(975,040)</u>
Available for Sale	160,017,700	95.1	148,237,660	88.1	11,780,040
<b>WATER SOLD</b>	130,910,848	77.8	128,901,950	76.6	2,008,898
Line Loss	<u>29,106,852</u>	17.3	<u>19,335,710</u>	11.5	<u>9,771,142</u>
<b>METER COUNT AT JUNE 30</b>	<u>1,074</u>		<u>1,053</u>		
<b>WATER USAGE RATES:</b>					
Customer Charges per Meter per Month -					
Residential	12.00		11.00		
Rural Residential	16.00		15.00		
Commercial	14.00		13.00		
Rural Commercial	18.00		17.00		
Industrial	125.00		100.00		
Water Usage (Per 1,000 Gallons)	3.00		3.00		
Effective	2/1/2006		3/1/2004		

See Independent Auditors' Report.

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Greenfield Municipal Utilities  
Water System  
Greenfield, Iowa

We have audited the financial statements of the Water System, a department of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated August 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*.

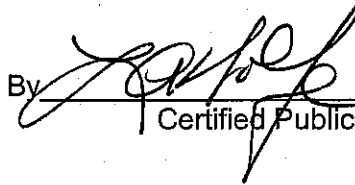
Comments involving statutory and other legal matters about the Water System's operations for the years ended June 30, 2006 and 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Water System. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and citizens of the City of Greenfield, and other parties to whom the Greenfield Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

August 4, 2006

By



Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006**

**PART 1: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:**

**INSTANCES OF NON-COMPLIANCE:**

No matters noted.

**REPORTABLE CONDITIONS:**

No matters noted.

**PART 2: OTHER FINDINGS RELATED TO STATUTORY REPORTING:**

- 06-2A **Official Depositories** - Resolutions naming depositories for combined funds of the City and Library and Greenfield Municipal Utilities have been approved by the City Council and the Board of Trustees. The maximum deposit amounts stated in the resolutions were not exceeded during the year. The depositories named and maximum amounts authorized are as follows:

First National Bank	\$ 4,000,000
Union State Bank	4,000,000

- 06-2B **Certified Budget** - Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. Disbursements did not exceed the certified budget during the fiscal year.
- 06-2C **Questionable Disbursements** - We noted no expenditures that we believe would constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- 06-2D **Travel Expense** - No expenditures of water system money for travel expenses of spouses of officials or employees were noted.
- 06-2E **Business Transactions** - Business transactions between the Greenfield Municipal Utilities Water System and the Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.
- 06-2F **Bond Coverage** - Surety bond coverage of officials and employees is in accordance with statutory provisions. However, we recommend the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations. See the page listing the "Officials" for individual bond coverage amounts.
- 06-2G **Minutes** - No transactions were found that we believe should have been approved in the minutes, but were not. The minutes were published within the 15 days required by Chapter 372.13(6) of the Code of Iowa. We did note, however, total receipts were not included in the published minutes.



**PART 2: OTHER FINDINGS RELATED TO STATUTORY REPORTING: (Continued)**

06-2H ***Deposits and Investments*** - The Board of Trustees adopted a written investment policy statement as required by Chapter 12B.10B of the Code of Iowa and no instances of noncompliance were noted.